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December 10, 2007

Mr. Alan H. Winkle Executive Director Public Employee Retirement System of Idaho P.O. Box 83720 Boise, ID 83720-0078

Re: Revised Actuarial Impact Statement for Proposed 2007 Legislation Regarding State

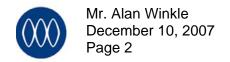
Sick Leave Benefits - Removal of Cap

Dear Alan:

We have updated our previous estimate of the fiscal impact of proposed changes to remove the Maximum Hours Cap for the State Sick Leave Plan. This update reflects the asset gain experienced by the System during the fiscal year ending June 30, 2007, discounted back to July 1, 2006 (the last time a Sick Leave Valuation was completed). We previously estimated that removing the Maximum Hours Cap would increase the actuarially determined contribution rate for the State Sick Leave Plan by 0.33% of member pay. If we reflect the asset gain for the year ending June 30, 2007 the increase in the actuarially determined contribution rate is only 0.27% of member pay.

To maintain consistency with the prior study, we have calculated the increase in the actuarially determined contribution rate assuming the contribution rate change would be effective July 1, 2007 and the plan change would be effective July 1, 2006, although we are now past those dates. Please let us know if you would like us to revise the calculations to reflect different effective dates.

The figures presented in this letter have been estimated based on the findings in the 2006 Study of Unused Sick Leave Benefits Valuation. The enclosed "Table 2A" follows the format of Table 2 in the Sick Leave Valuation. Table 2A compares the costs of the current program shown in column 1 "with cap" to the costs if the hours cap is removed in column 3 "no cap". The costs in column 1 match the Sick Leave Valuation Report, column 2 shows our previous study's results and column 3 reflects the 2006-2007 asset gain. The cap removal would not impact the school members, as they currently do not have any maximum on their hours. Since the two groups are both valued and funded separately, the adoption of the proposed benefit change for the state group will not impact the cost for the school group.



The current provisions provide that the maximum amount transferred shall be limited for state covered members only, based on the number of hours of credited state service as follows:

Years of State Service	Maximum Unused Sick Leave					
Less than 5*	420 hours					
5-10	480					
10-15	540					
16 or more	600					

^{*} All members who are eligible for retirement benefits have at least five years of service.

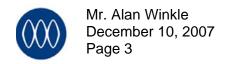
In preparing these cost estimates, we assumed that current limitations for all State members would be eliminated. No entitlement account is available for members who terminate employment prior to service retirement.

CERTIFICATION

The cost estimates in this letter are based on the assumptions, methods, plan provisions, assets and member data used in the July 1, 2006 Sick Leave Actuarial Valuation, and assets statements as of July 1, 2007. We have not made any adjustment for actuarial gains or losses that may have emerged after July 1, 2006, other than asset gains. We have assumed removing the State Cap is the only amendment being considered. If other amendments are enacted, the cost estimates may be different.

These cost estimates are subject to the uncertainties of a regular actuarial valuation; the costs are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging costs may vary from those presented in this letter to the extent actual experience differs from that projected by the actuarial assumptions.

This information is for the exclusive use of the Public Employee Retirement System of Idaho for the purposes stated herein. It is a complex technical analysis that assumes a high level of knowledge concerning the System's operations, and uses the System's data which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be in its entirety, unless prior written consent from Milliman is obtained.



On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

We have not explored any legal issues with respect to this change. Milliman is not a law firm and we cannot offer legal advice. Please discuss the legal issues with appropriate legal counsel.

I, Robert L. Schmidt, am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or comments, please call.

Sincerely,

Robert L. Schmidt, F.S.A., E.A., M.A.A.A.

Consulting Actuary

RLS/pap

Attachment

cc: Ms. Karen I. Steffen (w/attachment)

Mr. Mark C. Olleman (w/attachment)

Public Employee Retirement System of Idaho Study to Remove Cap on Unused State Sick Leave Benefits REVISED

Actuarial Present Value of Future Benefits and Contribution Rates July 1, 2006

(all dollar amounts in millions)

		State (with cap)		State (no cap)		State (no cap) **		Change	
A.	Actuarial present value of benefits payable: Active members Retired members	· .	95.1 9.4 4.5		128.4 <u>9.4</u> 137.8	_	128.4 <u>9.4</u> 137.8		23.3 0.0 23.3
В.	Actuarial present value of future normal costs for active members	\$ 2	7.7	\$	31.9	\$	31.9	\$	4.2
C.	Actuarial value of assets (reserves)	\$ 7	5.2	\$	75.2	\$	79.9 **	\$	4.7
D.	Unfunded actuarial accrued liability [A-B-C]	\$ 1	1.6	\$	30.7	\$	26.0	\$ 1	4.4
E.	Actuarially determined contribution rates effective in 2007 as percentages of salary:* Normal cost Amortization payment Total		.40% <u>.13</u> .53%		.45% <u>.41</u> .86%		.45% <u>.35</u> .80%		.05% .22 .27%
F.	Currently scheduled total contribution rates as percentages of salary: FY 2006		.65%		.65%		.65%		
G.	Amortization periods: Calculated contribution rate (E) Current contribution rate (F)	9.7 5.4	years	9. 21.	.7 years 8	9. 17.	7 years 5		

^{*} These rates would be effective at the beginning of the Fiscal Year starting in 2007 and would amortize the Unfunded Actuarial Accrued Liability over the remaining lifetime of the currently covered members. Fiscal years end on June 30 of the given year for State programs.

^{**} Assets updated to reflect actual asset gain during the fiscal year ending June 30, 2007.